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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967.

No. 443

COULTER ELECTRONICS, INC.,
Petitioner,

vs.

A. B. LARS LJUNGBERG & CO.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

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THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

TABLE OF CONTENTS.

	PAGE
Opinions Below Conform to This Court's Decisions...	1
Restatement of Question Presented.....	2
Restatement of Facts	3
Status of Respondent	3
Buyer-Seller Distributorship Status.....	4
Operation of Distributor	4
No Representation of Agency.....	5
Respondent Has No U. S. Premises.....	7
Distributor Is Independent	8
Proceedings in the District Court	8
Argument	10
Reasons for Not Granting the Writ.....	10
1. Petitioner Seeks Judicial Legislation.....	10
2. Petitioner Seeks Extraterritorial Effect of Its U. S. Patent Monopoly.....	11
3. Remedy, If Any, Is Against Those Who Make, Use or Sell in the U. S.	11
4. Petition Makes Improper References to Facts Not of Record.....	12
5. Petitioner Has Failed to Establish Any of the Considerations Governing Review on Certiorari Set Forth in Rule 19 of the Rules of the Supreme Court	12
(a) There Is No Conflict of Decisions.....	12
(b) Conflict Is With Prof. Moore and Va. District Court	13
Conclusion	15

Table of Authorities.

Bassing v. Cody (1908), 208 U. S. 386 12

Fourco Glass Co. v. Transmirra Products Corp. (1957), 353 U. S. 222 ..... 2, 14

In Re. Hohorst (1893), 150 U. S. 653 12

Olin Mathieson Chemical Corp. v. Molins Organizations, Ltd. (E. D. Va., 1966), 261 F. Supp. 436 13

Schnell v. Peter Eckrich & Sons (1960), 365 U. S. 260 ..... 1, 2

Stonite Products Co. v. Melvin Lloyd Co. (1942), 315 U. S. 561, 563 ..... 1, 2, 14

U. S. v. New York Tel. Co. (1946), 326 U. S. 638 12

Statutes and Rules.

28 U. S. Code, Section 1391 (d) 2

28 U. S. Code, Section 1400 (b) 2

Rule 4(d) (3) 10

Text.

Moore, Federal Practice, 2nd Ed. Vol. 1, p. 1510, 1632 .. 13

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI.

Respondent states that there are no grounds upon which to issue a writ of certiorari and that the petition should be denied.

OPINIONS BELOW CONFORM TO THIS COURT'S DECISIONS.

The memorandum opinion of the District Court for the Northern District of Illinois (P. 1a)* and the decision of the Court of Appeals for the Seventh Circuit (P. 3a), reported at 376 F. 2d 743, are in complete accord with the recent applicable decisions of this Court in *Stonite Products Co.* v.

* Reference is to Appendix to Petition for Writ of Certiorari.

Melvin Lloyd Co. (1942), 315 U. S. 561, 563; *Fourco Glass Co.* v. *Transmirra Products Corporation* (1957), 353 U. S. 222-229; and *Schnell* v. *Peter Eckrich & Sons* (1960), 365 U. S. 260-264; and are not in conflict with any decision of another Court of Appeals on the same matter.

RESTATEMENT OF QUESTION PRESENTED.

Whether this Court's decision in *Stoneite*[1], *Fourco*[2], and *Schnell*[3], should be overruled, without legislation, to confer personal jurisdiction over Respondent, an alien residing in Sweden under the patent venue provisions of 28 U. S. C. 1400 (b), in conjunction with 28 U. S. C. 1391 (d), where it has been found that Respondent is not a resident of Illinois, that the presence of a sole distributor is not sufficient to meet the test of a "regular and established place of business", and where Respondent has no officers, agents or employees in this District or in the United States and exercises no control whatsoever over the distributor; where the Distributor is wholly independent and purchases incomplete instruments from Respondent in Sweden; where delivery is taken and title passes in Sweden to the distributor who undertakes complete responsibility for the product thereafter; where Respondent has no further obligation relating to the product from that point; and where the relationship between the distributor and Respondent is strictly one of "buyer and seller" and neither has been held out as the agent or principal of the other.

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1. *Stonite Products Co.* v. *Melvin Lloyd Co.* (1942), 315 U. S. 561, 563.

2. *Fourco Glass Co.* v. *Transmirra Products Corporation* (1957), 353 U. S. 222-229.

3. *Schnell* v. *Peter Eckrich & Sons* (1960), 365 U. S. 260-264.

RESTATEMENT OF FACTS.

Status of Respondent, A. B. Lars Ljungberg & Co.

Respondent, A. B. Lars Ljungberg & Co. ("Ljungberg"), is a Swedish corporation having its principal offices and place of business at Stockholm, Sweden; since as early as 1959 Respondent has been manufacturing in Sweden particle analyzing equipment sold in Europe under the trademark "Celloscope", but Respondent has neither made, used or sold "Celloscope" equipment in the United States (A-14-16; D. A. 31)*. Respondent, Ljungberg, does not have a place of business within this District nor does it own, rent or possess any offices, plant, warehouse, real estate, office equipment, factory equipment or other personal property in the Northern District of Illinois nor any place in the United States; and Respondent does not have an officer, employee, director, agent, or servant of any kind, within the Northern District of Illinois or within the United States of America. (A-14-16, 22-24; D. A. 20, 23-24.)

Attempted service of process for alleged patent infringement was made upon Particle Data Laboratories, Inc., an independent Illinois corporation through its President, Robert H. Berg. Neither Particle Data nor Berg is an agent or employee and neither is authorized to accept service for Respondent. (A. 14-16, 22-24; D. A. 19-20.) The return of services does not purport to have served Respondent, nor its agent, nor does it purport to have made service upon an officer, managing or general agent or any other agent authorized by appointment or by law to receive service of process for Respondent, Ljungberg. (A. 5-6.)

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* The designations below refer to pages in:
(A- .....) Plaintiff-Appellant's Appendix;
(D. A. .....) in Defendant-Appellee's Appendix;
(P. X. .....) Plaintiff's Deposition Exhibits;
(D. X. .....) Defendant's Deposition Exhibits.

Buyer-Seller Distributorship Status.

Particle Data has been operating an independent business from the same premises in Elmhurst, Illinois, since 1958, engaged in the sale of particle analyzing equipment and rendering particle analyzing services to others. (A-25-26; D. A. 31.) In June of 1964, Particle Data through Berg wrote to Respondent, Ljungberg, in Sweden, requesting literature and expressed an interest in selling its equipment. Subsequently, a signed Sales Agreement (D. X. A, A-16-21; D. A. 31) was submitted to Ljungberg in Sweden by Particle Data in July, 1964 and was finally executed by Ljungberg in Sweden at the end of July, and was still in full force and effect and the parties were accurately conforming to its terms (A-27) under which Particle Data purchases from Respondent, on orders accepted in Sweden, incomplete instruments which are delivered to Particle Data's carrier in Stockholm, Sweden, where title passes and Respondent has no further obligation or relation to the product. The relationship between Particle Data and Ljungberg was and is intended to be only of that of buyer and seller. (D. X. A, Par. 1, 4-7, 12; A. 17-20.)

Berg, on behalf of Particle Data, visited Ljungberg in Sweden in August, 1964 to make detailed arrangements; and no officer or agent of Respondent, Ljungberg, has visited the United States or Particle Data in the United States since the execution of the Sales Agreement. (D. A. 16-17.)

Operation of Distributor.

Particle Data was a totally independent distributor. All of the purchase orders, invoices, shipping tickets, letters of credit and other papers relating to purchases by Particle Data from Respondent, on every purchase made, was produced by Particle Data on subpoena and stipulation, and

examined by Petitioner's attorneys. There was not a single variation from the distributorship arrangement; the sales were made in Sweden, the instruments delivered to Particle Data's designated carrier in Stockholm, Sweden, on letters of credit, sight drafts or specific credit terms provided on the invoice; and title passed to Particle Data in Sweden. (D. A. 7-9, 24-27; P. X.-12 (A), (B) and (C), P. X.-13, P. X.-14 (A)-(F) and D. X. 2-10.)

Since commencement of the Sales Agreement on or about July 30, 1964, Particle Data purchased for its own inventory between 30 and 40 incomplete "Celloscopes" and sold less than 10. (D. A. 12-14; A-39-40.) The large majority were models 101-T which were delivered to Particle Data's designated carrier in Stockholm, Sweden, by Respondent as incomplete and inoperative machines which Particle Data completed in the United States by adding the majority of the operating circuitry, the transistors, the sensing element, the orifice cell, some aspects of the counter device and the sample metering siphon. (A. 32, 33, 52.) The Celloscope Models 202, of which only a few have been purchased, were also inoperative and completed by Particle Data in the United States by addition of the orifice cell or aperture tube. The instruments were sold as the product of Particle Data in the United States; and all advertisements, catalogue sheets and instruction manuals carry only the name of Particle Data.

No Representation of Agency.

Particle Data does not in any way hold itself out as the agent of Respondent, nor does Respondent represent Particle Data to be its agent. The closest reference to Respondent published by Particle Data was a statement in P. X.-4, a catalogue sheet on the Model 101-T which reads:

> "rugged, precise design created by World-famous Swedish talent."

and a similar statement in P. X.-9. (A-47-48.) All instruments carry only the Particle Data warranty; Respondent, does not warrant and is not obligated under any warranty to Particle Data or to the eventual user. (D. A. 21, 22; A-37; D. X. 1, P-1, Par. 4; A-18.) Particle Data, as sole user in the U. S. of the trademark, advertises "Celloscope" equipment as its own trademark, stands behind the product and makes the necessary repairs. (A. 36-37, 44-49; D. A. 22; P. X.-9, 10.)

Celloscope instruments have been shown at Trade Shows by Particle Data and Ljungberg has never been present at any of such shows nor ever present when Particle Data was soliciting an order for an instrument since the execution of the Sales Agreement. (A. 53-54; D. A. 16-17.) Particle Data has never been authorized by Respondent to do any acts outside of or beyond the Sales Agreement or to represent Ljungberg in any manner. (A-21.)

Respondent has no responsibility whatsoever for the instruments after they are delivered to Particle Data's carrier in Stockholm, Sweden and exercises no right, title or control over the resale conditions or price of the instruments and has no control or voice in Particle Data and its operations (D. A. 10, 11, 17-23); Particle Data's only obligation to Respondent is a debtor's obligation to pay for the instruments in accordance with the terms of the invoice by letter of credit or sight draft, and if there is any excessive postponement or request for extension of payment time Respondent makes no further shipment of goods. (A-42-43.)

Respondent Has No U. S. Premises.

Particle Data is not restricted in its operations to the completion and sale of Respondent's equipment but manufactures and sells other equipment and operates a particle analyzing service for others (A. 25, 26, 32-33; D. A. 11); Particle Data operates from its own premises and no part of its expenses, salaries, rent, taxes, advertising, travel or any other expense is paid or contributed by Respondent, Ljungberg (A. 18; D. A. 80); Particle Data is entirely an independent company which has been operating since 1958 and did not know the existence of Respondent or the "Celloscope" instruments until April or May of 1964. (D. A. 11.) Particle Data's only remuneration for the handling of Celloscope equipment is the profit made from the re-sale of said equipment out of its own inventory at prices which Particle Data determines without dictation or control from Respondent. (D. A. 10-11.)

Respondent does not hold out Particle Data as its agent or representative; nor does Particle represent itself as Ljungberg's agent (A. 44-49; D. A. 20-21); nor do the proofs show that Ljungberg is listed in any telephone book or directory in this District; nor is it shown that Respondent's name appears on the premises of Particle Data; nor does Respondent receive any mail, telephone calls or handle any business or appointments at Particle Data's premises. Respondent, has no employees, agents, officers, directors or servants, premises or property within the N. D. of Illinois, Judicial District or elsewhere in the United States. (D. A. 23-24; A-14-15, 18, 22, 23.)

Respondent maintains no stock of merchandise in this District or in the United States and has not and is not making, using or selling particle analyzing equipment in the United States. (D. A. 21-23; A-15-16, 22-23.)

Distributor Is Independent.

Particle Data makes no report of its sales to Respondent, nor has there been shown any interlocking directors, nor common officers, nor common employees or stockholders. Particle Data holds itself out as a distributor and/or manufacturer of the "Celloscope" equipment and sells through its own sales agents who are responsible only to Particle Data and submits quotation sheets to Particle Data for acceptance (D. A. 18-23, A-36-37); and no customer orders are ever submitted to Defendant nor do Particle Data's sales representatives have any contact with or responsibility to Respondent (A-36-37, D. X. 1 and 1A). (T-75-78.)

Proceedings in the District Court.

Petitioner filed its original Complaint (A-2) on July 1, 1964 (a month before Respondent entered into its Sales Agreement with Particle Data (A-2)), alleging that Defendant was doing business at the Palmer House in Chicago and on the same day had an order entered authorizing Herbert J. Singer to make service of process allegedly hoping to find Mr. Lars Ljungberg as a guest at the hotel, but this did not materialize. More than a year elapsed without issuing alias summons and after the case was set for disposition by Judge Decker, Petitioner filed an Amended Complaint alleging that Respondent has an office at Particle Data in Elmhurst, Illinois which "—is the sole and exclusive managing or general agent of said corporate defendant." (A-8.)

Summons was then served upon Robert H. Berg, as President of Particle Data, and Respondent filed its Motion to Quash Service of Process and to Dismiss. (A. 11-14.)

Respondent also pointed out that a separate suit and Counterclaim involving the identical apparatus and the

identical patents was instituted by the distributor Particle Data, against Plaintiff, Coulter in this District in 64-C-1032 and was filed prior to the instant case. (A. 14.)

After the filing of affidavits, the Deposition of Robert H. Berg and briefs of the parties, the District Court entered an Order granting Respondent's Motion to Dismiss on June 23, 1966 which Order was preceded by a letter opinion dated June 16, 1966. (A-72-74.)

The Court of Appeals affirmed the dismissal. (P. 3a-8a.)

ARGUMENT.

REASONS FOR NOT GRANTING THE WRIT.

1. Petitioner Seeks Judicial Legislation. The Court of Appeals accurately labeled Petitioner's Request as one "—asking us for 'judicial legislation' " and observes that it is a matter for Congress to change the patent venue statute. (A-6a, 7a.)

Petitioner Seeks a Redrafting of § 1400 (b). In order to accomplish the interpretation of 1400 (b) urged by Petitioner it would be necessary for Congress to rewrite the Statute to read as follows:

> "(b) Any civil action for patent infringement may be brought in the Judicial District where the Defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business, *except that an alien resident of a foreign country may be sued in any district where its alleged infringing product can be found.*"

Granting venue in any district over a non-resident alien would not be sufficient to obtain jurisdiction over the person and therefore the Service of Process under Rule 4 (d) (3)* of the Federal Rules of Civil Procedure would neces-

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* Rule 4 (d) (3) F. R. C. P:

(d) Summons: Personal Service. The summons and complaint shall be served together. The plaintiff shall furnish the person making service with such copies as are necessary. Service shall be made as follows:

• • • • •

(3) Upon a domestic or foreign corporation or upon a partnership or other unincorporated association which is subject to suit under a common name, by delivering a copy of the summons and of the complaint *to an officer, a managing or general agent, or to any other agent authorized by appointment or by law to receive service of process* and, if the agent is one authorized by statute to receive service and the statute so requires, by also mailing a copy to the defendant.

sarily be rewritten to provide for the service of process by adding:

> *"—except that a resident of a foreign country may be served in patent infringement cases by leaving process with the owner and distributor of any product originating with defendant."*

It is questionable whether such changes in the statute and rule would stand the test of "due process."

2. Petitioner Seeks Extraterritorial Effect of Its U. S. Patent Monopoly. In requesting this Court to extend the construction of the Patent Statutes to obtain relief for infringement of its U. S. patents against the Respondent who manufactures and sells in Sweden, it must be noted that an action for patent infringement is a personal action against one who makes, uses or sells in violation of a patent monopoly within the territory of the United States. The action is not *in rem* and the existence or presence of the product itself is not actionable. Petitioner seeks to give extraterritorial effect and to expand the alleged monopoly of its United States patents to enjoin sales of apparatus occurring in Sweden where the U. S. Patents have no status. This is a mis-use of Plaintiff's patent and would constitute an unlawful attempted restriction on commerce in Sweden where no cause of action exists.

3. Remedy, If Any, Is Against Those Who Make, Use Or Sell in the U. S. Petitioner, if it has a cause of action, is not without remedy against those persons making, using and selling the apparatus in the United States; that is all the relief possible under the patent laws. There is already a suit and counterclaim involving the same unadjudicated patents and the identical apparatus between Petitioner and the distributor, Particle Data; and Plaintiff is engaged in a program of harassment against Particle Data's sales representatives, already having sued C. W. Alban & Co.

of St. Louis, Missouri and Scientific Supply Co. of Chicago, as of October 20, 1965 (D. A. 8-9, 17, 18; A. 62) and it is unlikely that Petitioner will have missed threatening and/or suing the laboratories, universities and hospitals which are Particle Data's customers.

4. Petition Makes Improper References to Facts Not of Record. Petitioner, in an apparent effort to create an image of public importance, has made references to alleged facts not appearing in the record and which were not considered by the District Court or the Court of Appeals, appearing for the first time in its Petition for Writ of Certiorari at pages 7, 9, 11 and 12, respectively, to wit: The United States Foreign Trade Summary Report; a Report by the Office of Special Representatives for Trade Negotiations; and the alleged President Commissions Report on the Patent System. Having been raised for the first time before this Court in the Petition, they should not be considered by this Court. *U. S.* v. *New York Tel. Co.* (1946), 326 U. S. 638; *Bassing* v. *Cody* (1908), 208 U. S. 386.

5. Petitioner Has Failed to Establish Any of the Considerations Governing Review on Certiorari Set Forth in Rule 19 of the Rules of the Supreme Court.

(a) **There Is No Conflict of Decisions.** Petitioner attempts to establish a conflict in the decisions of this Court by reference to *In Re. Hohorst* (1893)[1] and the decisions below which follow the *Stonite,*[2] *Fourco,*[3] and *Schnell*[4] decisions of this Court. In fact no conflict exists. The Patent Act of 1897 superseded *In Re. Hohorst,* and the subsequent statute has been thoroughly considered as to

1. 150 U. S. 653 (1893).
2. 315 U. S. 561 (1942).
3. 353 U. S. 222 (1957).
4. 365 U. S. 260 (1960).

alien defendants by this Court, as ably pointed out by the Court of Appeals in its decision (A-8a):

> "In *Stonite, supra,* the Supreme Court traced the history of patent infringement venue prior to the enactment of the provision which is now § 1400 (b). The Court concluded, at page 566, '. . . Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings.'
>
> This view was reaffirmed in the *Fourco* and *Schnell* cases, both *supra.* The court in *Fourco,* p. 228, called § 1400 (b) 'a special venue statute applicable, specifically, to all defendants in a particular type of actions, i.e., patent infringement actions.' Thus, the enactment of § 1400 (b) and the construction given to that section by the Supreme Court make it clear that *Hoffhorst* cannot be relied upon to create a special exception to the rule that § 1400 (b) is the exclusive venue statute in all patent infringement actions."

There is no conflict of decisions nor any dispute to be settled by the Supreme Court.

(b) Conflict is with Prof. Moore and Va. District Court. The only conflict with the Supreme Court's decisions in *Stonite, Fourco* and *Schnell* is the opinion of Professor Moore and a *District Court's* opinion in *Olin Mathieson Chemical Corp.* v. *Molins Organizations, Ltd.* (E. D. Va. 1966), 261 F. Supp. 436. Neither bears the authority for granting a Writ because of their disagreement with the decisions of this Court.

Professor Moore's position is admittedly contrary to the opinion of this Court in the *Fourco* and *Stonite* cases and Professor Moore states in discussing *Stonite*:

> "With the utmost deference, we believe that the opinion of the Supreme Court was unsound and that the Court of Appeals was correct." (Moore's Federal Practice, 2d Edition, Vol. 1, Page 1632.)

The cases relied upon by Professor Moore (Volume 1, Page 1510) all follow the rejected doctrine of *In Re. Hohorst* (1893), 150 U. S. 653, here urged by Petitioner, whose application to suits against "—an alien or a foreign corporation" for patent infringement was thoroughly discussed by this Court and rejected in *Stonite* v. *Lloyd* (1941), 315 U. S. 561, 565 where this Court held:

> "The Act of 1897 was adopted to define the exact jurisdiction of the Federal Courts in actions to enforce patent rights, and thus eliminated the uncertainty produced by the conflicting decisions on the applicability of the Act of 1887, as amended, to such litigation. That purpose indicates that Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings."

This Court affirmed its above position in *Fourco* v. *Transmirra* (1956), 353 U. S. 222, 228 and held:

> "We think it is clear that § 1391 (c) is a general corporation venue statute, whereas § 1400 (b) is a special venue statute applicable specifically to *all* defendants in a particular type of action, i.e., patent infringement actions." (Emphasis by the Court.)

The Court of Appeals, in the instant decision, acknowledging the conflict between the decisions of this Court and those of Professor Moore and the Virginia District Court stated (P. 8a):

> "Faced with two conflicting views as to the proper interpretation of Section 1400 (b), it is quite understandable that we have chosen to follow the interpretation so recently announced by the Supreme Court.
>
> "Since Section 1400 (b) controls venue in this case and the defendant does not have a regular and established place of business in the Northern District of Illinois, the order of the District Court dismissing the instant suit should be and is AFFIRMED."

CONCLUSION.

Respondent respectfully urges that the Petition for Certiorari be denied.

Respectfully submitted,

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